

# Federal tax cut, state budget problems have hurt Connecticut nonprofits

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A federal tax law reducing the incentive for charitable giving and Connecticut's continual budget woes are putting a squeeze on the state's nonprofits, according to experts in the field.

The Connecticut Council for Philanthropy and the Connecticut Community Nonprofit Alliance surveyed the state's nonprofits earlier this year and found 43 percent received or expected to receive fewer donations in 2019 as a result of federal tax law changes, according to [data published in May](#). Additionally, state budget problems hurt more than 60 percent of the state's nonprofits. Financial cuts totaled \$11.9 million, ranging from \$25,000 to \$3 million and averaging \$661,000, according to the survey report.

"While not all nonprofits have experienced contract cuts, some have not received cost of living increases for several years, and others have had funding delayed, requiring organizations to use emergency reserves if available," the report states.

Nonprofits across the country have experienced the "aftershocks" of the 2008 economic recession, said Gian-Carl Casa, president and CEO of the Connecticut Community Nonprofit Alliance.

"What we've seen is almost a perfect storm over the last decade for nonprofits," Casa said. "We've had state and federal budgets tighten, resulting in either cuts or flat funding to programs nonprofits operate."

Charitable giving has dropped nationwide as a result of the federal Tax Cuts and Jobs Act of 2017, [Newsweek reported](#) recently. Individual giving in 2018

decreased 1.1 percent, or 3.4 percent when adjusted for inflation, after it had increased by 5.7 percent in 2017. Overall giving dropped 1.7 percent in that time.

The tax law doubled the standard deduction, which gives taxpayers less incentive to itemize deductions like donations to charity. As a result, Americans itemized \$54 billion less in their 2018 charitable donations on this year's tax filings, Newsweek reported.

Greater demand for services from nonprofits has created higher costs for them, but the tax law went into effect at the same time, and nonprofits are receiving fewer donations from middle-class people who used to donate regularly, Casa said.

"In general, we see that national trends impact the states," said Karla Fortunato, president of the Connecticut Council for Philanthropy. "What's less clear is how much of that giving will impact Connecticut-specific nonprofits, because a lot of charitable giving supports organizations and nonprofits outside of the state."

Nonprofits have had to cut some programs and services, lay off staff and use cash reserves to stay afloat, Casa said, and some have even closed in the past few years.

"Nonprofits have gotten good at meeting their missions with less money available than there should be, but it's getting to the point where a combination of factors is really weighing on them and making it more and more difficult to do the jobs that they want to do," he said.

Individual charitable giving nationwide increased 6 percent from 2015 to 2016, but it decreased 4.5 percent in Connecticut, from \$3.81 billion to \$3.32 billion, according to CCP's Connecticut Giving Reports from 2018 and 2019.

"I'm nervous about what could be happening right now in terms of individual donations [to charity], but I also know we have a really engaged community of grantmakers who are paying attention to it," Fortunato said.

In-state nonprofits received \$417.3 million in grant money from out-of-state nonprofits in 2016, a slight decrease from \$419 million in 2015. At the same time, foundations in Connecticut increased grant contributions to organizations in-state, out-of-state and internationally from \$1.2 billion to \$1.4 billion.

Total contributions from individuals and foundations fell slightly from \$5 billion in 2015 to \$4.97 billion in 2016.

None of those figures takes into account the federal tax changes, which took effect in 2018.

Philanthropy trends in Connecticut have “a lot of nuance” because the number of people giving to charity in Connecticut has decreased in recent years, but so has the state’s population, Fortunato said.

“When you look at what percentage of our state population is giving, that’s actually really strong and steady and has grown a little bit over time,” she said.

The new state budget includes The Partnership for Connecticut, a philanthropic initiative with the goals of strengthening public education, supporting economic development in under-served communities and “connecting at-risk high school-aged youths and young adults to educational and career opportunities.”

Fortunato called the initiative “a really exciting development” and said the Westport-based Dalio Foundation has pledged to provide \$100 million over five years toward the initiative. State government is contributing another \$100 million and the partnership is seeking to raise an additional \$100 million from private donors.

As the state’s economy improves, nonprofits are hoping the state will make up for some of the recent lack of funding, Casa said.

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